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17 May 1990

MEMORANDUM FOR THE RECORD

FROM: []

SUBJECT: Meeting with QRPLUMB Principals
on Termination Plan

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CENTRAL INTELLIGENCE AGENCY
SOURCES METHOD EXEMPTION 3B2B
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1. On 16 May 1990, I accompanied DC/PPS to a meeting with the three principal agents of the QRPLUMB project in Newark, New Jersey. The purpose of the meeting was to discuss plans for secure termination of our relationship with QRPLUMB. I have already informed the QRPLUMBs on 25 April, that a decision was made to cease government support to the project within the next one to three years.

2. DC/PPS began the meeting by noting that while he had never had the occasion to meet any of the QRPLUMBs, he followed their work and was very impressed with the accomplishments of the project and their individual contribution to its success. He then explained that due to a decision made at the higher level, based on a combination of new policy guidance and budget cuts, we have been directed to withdraw our support to QRPLUMB. He assured the QRPLUMBs that this will not be an immediate termination and that we are prepared to provide them with a payment which would enable them to make a transition from government to private support if they wish to continue their activity. He asked them to outline their views on the proposed separation and future plans.

3. In response, QRPLUMB/57 (P/57) first of all expressed gratitude on behalf of the QRPLUMB organization for the forty years of support. He noted that the ongoing changes in Ukraine should be credited at least in part to the organization's work and pointed to the fact that many of the leaders of the Ukrainian dissident movement, with whom they had contact over the years, are now legally elected officials of the government. This new situation presents new opportunities for QRPLUMB to help promote the cause of democracy and economic freedoms in Ukraine. There is ample evidence provided by the increasing number of visitors that the new deputies and other leaders look to an organization like QRPLUMB for support and guidance. P/57 said that much of the

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respect enjoyed by QRPLUMB is due to its moderate line and rational approach to the question of the future of Ukraine and its eventual independence or confederation with Moscow.

4. In the view of QRPLUMBs, there are two compelling reasons why their organization should continue: a) The war is not yet won and much remains to be done: there is a need for educational material, textbooks, films, articles on the democratic process, economics, etc. In addition, with the increased contacts in Ukraine there is an opportunity to collect information, develop assessment of the situation and of individuals and, consequently, be in the position to influence events; b) The security of the project needs to be preserved. If QRPLUMB were to cease its existence suddenly or significantly diminish its activities, this would give rise to all kinds of speculations in the community here and in the Soviet Union. Almost certainly there would be articles in the hardline Soviet press analyzing the QRPLUMB history and pointing to the "sponsors" who now are withdrawing their support.

5. After examining the financial requirements of their operation, the QRPLUMBs concluded that in order to continue their activities at the present level for an indefinite period of time, they would need a capital investment of ten million dollars. This would allow them to stay at the same address, keep their technical base and retain the same number of employees. They explained that keeping the present address, at least for the time being, is important, not only because it has become well known to their internal contacts but also because liquidation of the office and setting up business in some smaller quarters, e.g., basements of their homes, would send a signal that drastic changes had occurred at QRPLUMB. One alternative would be to purchase a commercially zoned property which could be used to house the project and also produce income from renting part of the building to other businesses. While this would require a sizeable investment, only the down payment would be needed immediately and the rest could be paid off with a long term mortgage.

6. DC/PPS stated that while he believes that they have a valid argument for continuing their activities at the present level, we simply do not have the financial resources to provide them with this kind of capital investment. He said that the figure presently being considered for the termination payment is dollars. The QRPLUMBs responded that it would be very difficult to make a transition and carry on their work with such a sum. P/103 went as far as saying that it would be "a disaster". They pointed to their contractual obligations, mainly their lease which is binding for another two years at the average cost of close to 90 thousand dollars per year. Even if the lease could be renegotiated or broken, it would still be quite costly. In addition, there are obligations to QRPLUMB personnel, both here and overseas. The figure of would not allow for any serious investment for the future.

7. Regarding the possibility of getting support from the community, the QRPLUMBs said that while five years ago this could have been a source of a sizeable revenue, now most of the resources collected by the community are sent directly to Ukraine. They believe that only a limited amount can be collected for a publication fund. The possibility of getting one or more grants from foundations can be investigated but it must be remembered that there are many applicant for such support and the grants are usually not very large. QRPLUMBs believe that they could undertake some commercial activity, increase subscriptions and offer services to U.S. companies who want to do business in Ukraine. All of the above would have to be developed over a period of time before it would start paying off. Also, the restrictions imposed on them by their relationship with us would have to be lifted before they could take any steps in this direction.

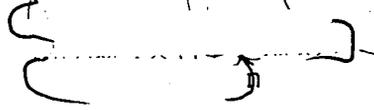
8. We asked QRPLUMBs to prepare a plan for transition and to list their specific needs and financial requirements, keeping closer to the ² rather than 10 million dollar figure. DC/PPS stated that we may be able to increase our figure somewhat but it still would have to be far below their proposed level. We talked about tax implications of a one time payment and QRPLUMBs were asked to examine their situation in this regard and include a proposal on how the payment should be made so that they would not be unduly penalized with a large tax payment.

9. The QRPLUMBs were told that services of a cleared management consultant could be made available to them to assist them in assessing their financial situation and planning a fundrasing and/or commercial strategy. All three QRPLUMBs agreed that this would be extremely useful and requested that a meeting with a consultant be arranged.

10. DC/PPS discussed the date for the formal termination and indicated that he would like it to take place during the latter part of August 1990. QRPLUMBs will prepare their paper by early June and we will proceed with planning, taking their proposals into consideration.

11. The option of gradual withdrawal of support over the next two or three years was discussed but because of the restrictions which such an arrangement would continue to impose on the QRPLUMB activities in the U.S., it was not considered a good solution. DC/PPS also raised the question of eventually entering into direct relationships with individual QRPLUMBs for collection of information. They responded positively to this and asked about the possibility of establishing a contractual relationship with their organization for research and analytical work. They mentioned that they have noticed that the FBIS reports do not

carry full coverage of the press from Ukraine and concentrate only on the Russian language publications, very often only those which are published in Moscow. This makes for a rather slanted presentation of the situation in Ukraine since over fifty percent of the press there is in the Ukrainian language. They suggested that perhaps QRPLUMB can be used to review the Ukrainian press or that some of their employees can be hired directly by the Agency. DC/PPS said that he will take this up with the chief of the FBIS.



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